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(54) Title: METHOD OF PORTFOLIO VALUATION

(57) Abstract: This invention relates to a system and method for valuing a portfolio in terms of its performance relative to a specified benchmark under a range of future scenarios. In particular, the invention takes a portfolio and calculates two values related to the portfolio: the first value corresponding to an amount by which the value of the portfolio is expected to fall below the value of a benchmark over a given time horizon, and a second value corresponding to an amount by which the value of the portfolio is expected to exceed the value of a benchmark over a given time horizon, in view of the range of different future scenarios. The invention provides a means for determining the portfolio which optimally trades-off these two values, and to evaluate risk/reward performance measures using these two values which can be used to rank instruments, securities or portfolios. The invention also provides a means for pricing portfolio insurance for optimal portfolios.